USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

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Date: 1/25/2007

GAIN Report Number: AS7004

Australia

Grain and Feed

Grain Quarterly Update

2007

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Report Highlights:
Wheat production for 2006/07 is estimated at 10.5 MMT, a decline of nearly 60 percent from the previous year level. Barley production in 2006/07 is estimated at 3.7 MMT, down sharply from the previous year level. Rice production in 2007/08 is forecast at 126 TMT, a decline of about 90 percent from the previous year and reflects the extreme shortage of irrigation water as well as the severity of drought conditions during the crop cycle. Despite the drought-reduced grain production, domestice consumption of grain is projected to increase driven by demand from feedlots.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
Canberra [AS1]
[AS]

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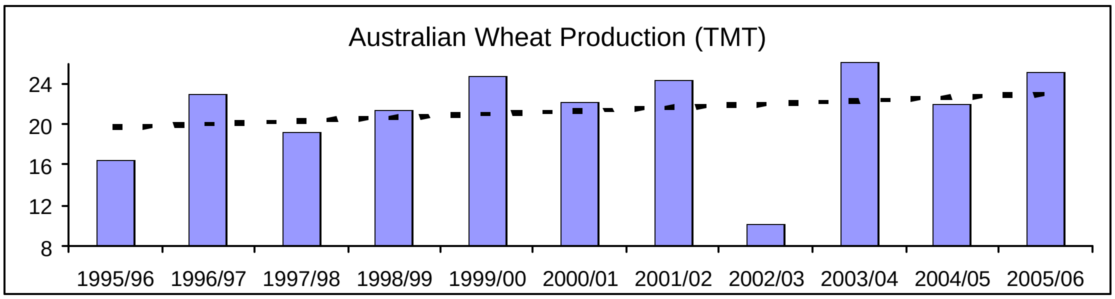
SECTION ONE: SITUATION AND OUTLOOK

Situation and Outlook

Wheat

Wheat production for 2006/07 is estimated at 10.5 MMT, down from Post's previous forecast and a decline of nearly 60 percent from the previous year level. Late planting rains followed by drought conditions in the second half of the season combined to reduce wheat production to the lowest level since the 2002/03 harvest of 10.1 MMT.

Projected exports and consumption in 2006/07 remain unchanged while stocks have been adjusted downward to compensate for lower production.



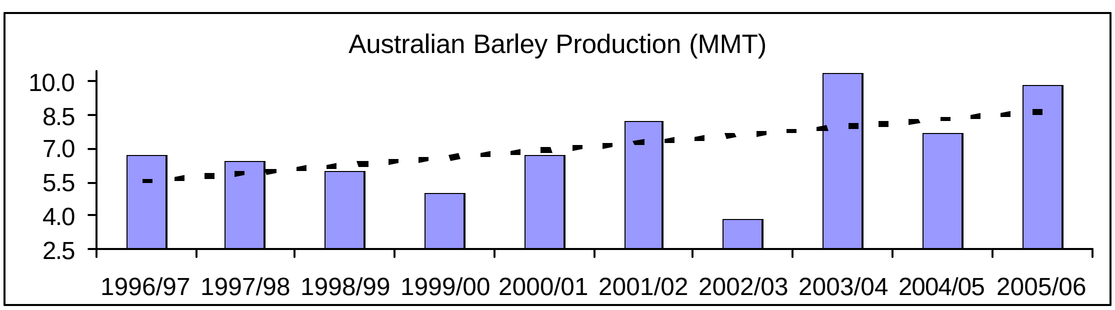
Source: ABARE Data

Barley

Total barley production in 2006/07 is estimated at 3.7 MMT, down from Post's previous forecast and down sharply from the previous year level. A harvest of this size would represent the smallest barley crop for over a decade.

Industry sources suggest barley production could be lower than Post's forecast, however forecasting this crop has been complicated by the dynamics of the current barley market. Drought conditions, high feed grain demand, and on farm supplementary feeding has seen large tonnages of barley diverted away from traditional marketing channels, creating difficulties in forecasting. Post's forecast remains higher than industry sources in order to account for grain consumed on farm and through other non-traditional channels.

Exports and stocks have been revised downward to account for lower production while domestic consumption remains unchanged at historically high levels.

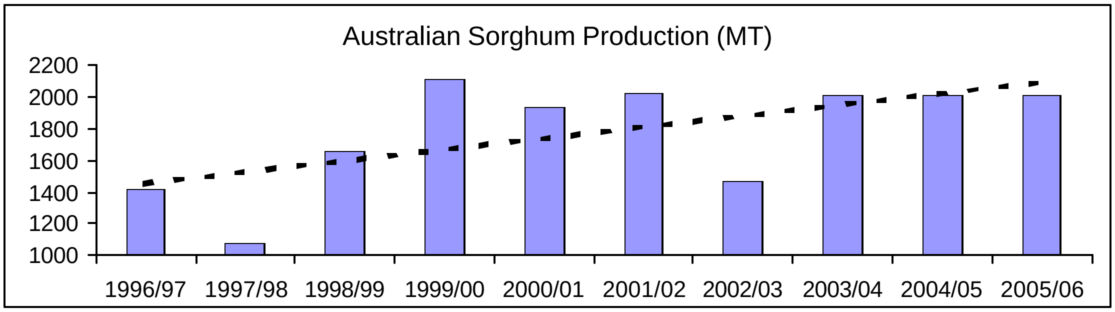


Source: ABARE Data

Sorghum

Sorghum production for 2007/08 is forecast at 1,500 TMT (1.5 MMT), down slightly from Post's previous forecast. Below average weather conditions have caused expected yields for sorghum to decline somewhat. Furthermore, the window for further plantings of sorghum is rapidly closing, and Post does not anticipate late planting to significantly alter existing area estimates.

Post has revised domestic consumption downward slightly while leaving ending stock and exports unchanged at historically low levels.



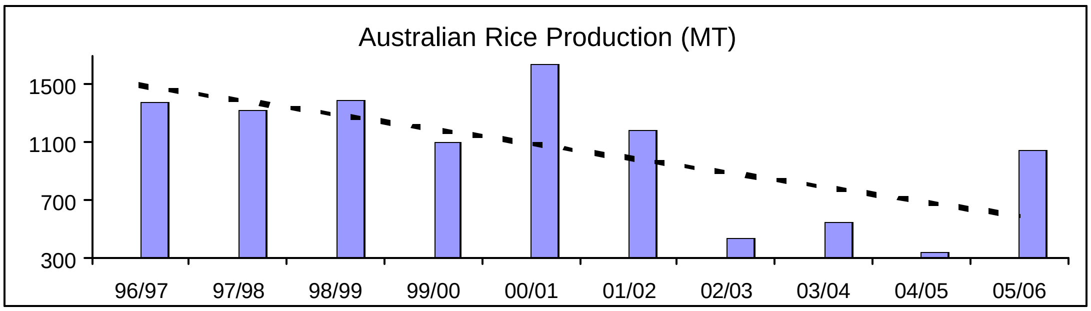
Source: ABARE Data

Rice

Total rice production in 2007/08 is forecast at 126 TMT, down drastically from the 1,048 MT estimated for the previous year. This represents a decline of about 90 percent from the previous year and reflects the extreme shortage of irrigation water as well as the severity of drought conditions during the crop cycle.

A shortfall in the delivery of stored irrigation water has caused the harvest, expected to begin in March 2007, to be revised downward from already historically low levels. Industry sources believe a harvest of 126 TMT, if achieved, would represent the lowest rice harvest for over 40 years.

Exports of rice for 2007/08 are expected to remain unchanged at historically low levels while ending stocks have been revised further downward. Post has revised imports upward in line with increases in partial year data.



Source: ABARE Data

Consumption

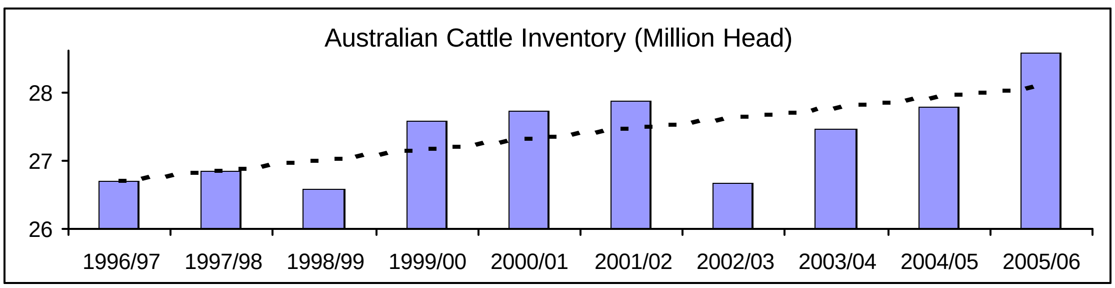
General

Drought conditions experienced in recent times has seen grain production, particularly winter cereals, fall to historically low levels. Conversely, Post has forecast consumption of grain to increase significantly. This increase has been principally driven by increased feed grain demand, particularly from intensive activities such as feedlot beef. As pasture conditions have deteriorated, more cattle have been finished on feedlots. Lower production and higher consumption will likely place pressure on consumers of feed grain to find new sources of feedstuff.

Cattle on Feed

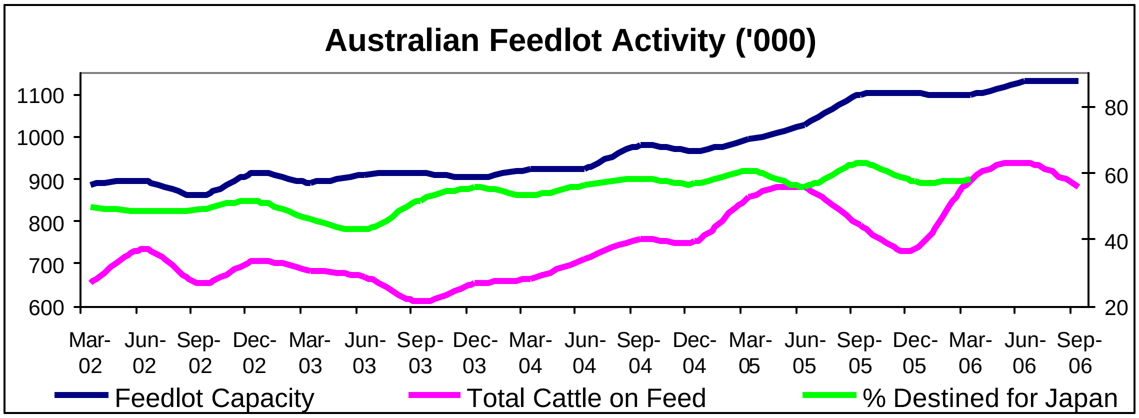
Despite prolonged drought conditions, high prices have kept overall cattle numbers at historically high levels. ABARE estimates the national inventory at 27.9 million head in 2006/07 (July-June), up from the 10-year average.

Australia's cattle industry is primarily pasture-based with 881,000 head, about three percent of the national herd, currently on feed. However, feedlot capacity has grown markedly in recent times and post believes this trend will likely continue for the foreseeable future. Furthermore, productivity improvements and shorter feeding times have seen roughly one in three slaughter cattle finished in feedlots.



Source: ABARE Data

Industry research put total feedlot grain consumption at 2.83 MMT in 2003 when feedlot numbers totaled around 0.65 million head. Substantial increases in cattle on feed numbers since then have seen significant increases in feedlot grain consumption. Post estimates feedlot grain consumption (total winter cereals and coarse grains) to be somewhere between 3.0 and 4.0 MMT given recent feedlot numbers.



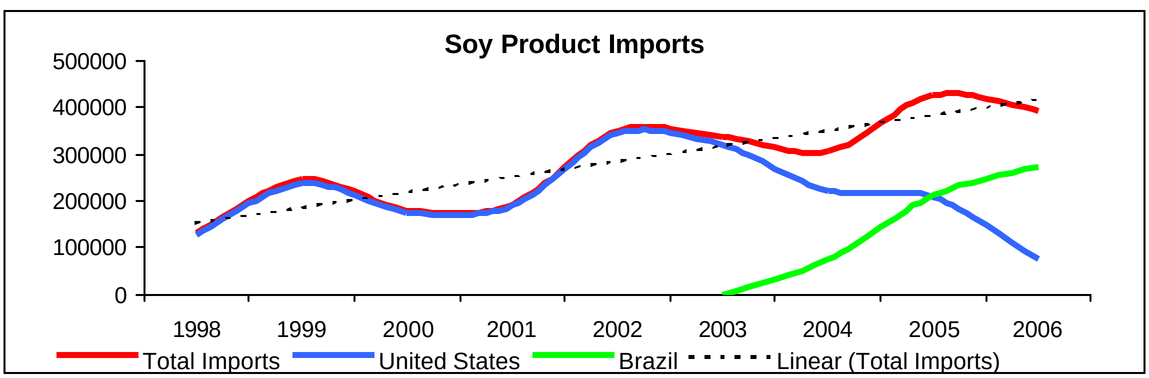
Source: ALFA/MLA

Soy meal imports

Australian quarantine laws require all grain products to be "denatured" to reduce quarantine risks associated with importation of grain. In the past this has seen whole grain imported and milled at port, or in the case of soy meals, milled at the country of origin under prescribed conditions.

Australia has been importing soy meal in significant quantities for about ten years. Soy meal imports are principally used as an additive to manufactured stock feed for use in intensive animal feeding. Volumes have increased significantly over the period, particularly in times of drought.

Official trade data show the US as the sole soy meal supplier to Australia until 2003 when Brazil also began supplying soy meal. In more recent times soy meal imports from the US have declined steadily while total imports have increased.



Source: World Trade Atlas

DDGS imports

To date, Australia has not yet imported DDGS. However, Post understands that Australian quarantine authorities have considered the DDGS production process in relation to its ability to reduce quarantine risk and that the Australian Quarantine Inspection Service (AQIS) will consider import requests for DDGS. Parties wishing to import DDGS into Australia will need to make application to AQIS.

Preliminary investigations conducted by Post have revealed interest in importing DDGS. The successful importation of DDGS and its role in Australian feed grain manufacturing remains to be seen, however Post will continue to monitor and report on DDGS imports.

Future of Wheat Marketing

On December 5, 2006, the Australian government announced that an extensive consultation process would be undertaken to gather industry views on the future of the Australian Wheat Export Industry. On January 12, 2007, the Australian government further announced the appointment of the Wheat Export Marketing Consultation Committee to consult widely with the Australian grains industry, particularly growers, about their wheat export marketing needs and to report to government on the results of the consultation by March 30, 2007.

SECTION TWO: STATISTICAL TABLES

PSD Table Wheat										
	2004	Revised		2005	Estimate		2006	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2004	10/2004		10/2005	10/2005		10/2006	10/2006	MM/YYYY
Area Harvested	13768	13768	13768	12600	12600	12600	11300	10900	11300	(1000 HA)
Beginning Stocks	5360	5360	5360	7093	6393	7093	9256	9648	9256	(1000 MT)
Production	22600	21900	22600	24500	24500	24500	10500	12250	10500	(1000 MT)
MY Imports	75	75	75	75	75	75	75	75	75	(1000 MT)
TY Imports	76	76	76	81	81	81	75	75	75	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	28035	27335	28035	31668	30968	31668	19831	21973	19831	(1000 MT)
MY Exports	14742	14742	14742	16012	14920	16012	10500	11500	10500	(1000 MT)
TY Exports	15826	15826	15826	15213	14900	15213	12000	13000	12000	(1000 MT)
Feed Consumption	3500	3500	3500	3700	3700	3700	4200	4400	4200	(1000 MT)
FSI Consumption	2700	2700	2700	2700	2700	2700	2700	2700	2700	(1000 MT)
Total Consumption	6200	6200	6200	6400	6400	6400	6900	7100	6900	(1000 MT)
Ending Stocks	7093	6393	7093	9256	9648	9256	2431	3373	2431	(1000 MT)
Total Distribution	28035	27335	28035	31668	30968	31668	19831	21973	19831	(1000 MT)
Yield	1.642	1.591	1.642	1.944	1.944	1.944	0.929	1.124	0.9294	(MT/HA)

PSD Table
Barley

	2004	Revised		2005	Estimate		2006	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2004	11/2004		11/2005	11/2005		11/2006	11/2006	MM/YYYY
Area Harvested	4617	4617	4617	4739	4739	4739	4200	3600	4200	(1000 HA)
Beginning Stocks	1887	1887	1887	1884	2134	1884	2803	3103	2803	(1000 MT)
Production	7708	7708	7708	9869	9869	9869	4200	4150	3700	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	9595	9595	9595	11753	12003	11753	7003	7253	6503	(1000 MT)
MY Exports	4261	4261	4261	5300	5500	5300	2300	2650	1928	(1000 MT)
TY Exports	4481	4481	4481	5231	5500	5231	2300	2900	2300	(1000 MT)
Feed Consumption	2500	2300	2500	2700	2500	2700	2800	2900	2800	(1000 MT)
FSI Consumption	950	900	950	950	900	950	900	900	900	(1000 MT)
Total Consumption	3450	3200	3450	3650	3400	3650	3700	3800	3700	(1000 MT)
Ending Stocks	1884	2134	1884	2803	3103	2803	1003	803	875	(1000 MT)
Total Distribution	9595	9595	9595	11753	12003	11753	7003	7253	6503	(1000 MT)
Yield	1.670	1.670	1.670	2.083	2.083	2.083	1	1.153	0.881	(MT/HA)

PSD Table

Sorghum

	2004	Revised		2005	Estimate		2006	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2005	03/2005		03/2006	03/2006		03/2007	03/2007	MM/YYYY
Area Harvested	803	803	803	889	889	889	800	710	710	(1000 HA)
Beginning Stocks	63	63	63	130	130	130	144	144	144	(1000 MT)
Production	2177	2177	2177	2019	2019	2019	2100	1600	1500	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	2240	2240	2240	2149	2149	2149	2244	1744	1644	(1000 MT)
MY Exports	205	205	205	150	300	150	100	100	100	(1000 MT)
TY Exports	370	370	370	190	200	190	100	100	100	(1000 MT)
Feed Consumption	1900	1900	1900	1850	1700	1850	2000	1550	1450	(1000 MT)
FSI Consumption	5	5	5	5	5	5	5	5	5	(1000 MT)
Total Consumption	1905	1905	1905	1855	1705	1855	2005	1555	1455	(1000 MT)
Ending Stocks	130	130	130	144	144	144	139	89	89	(1000 MT)
Total Distribution	2240	2240	2240	2149	2149	2149	2244	1744	1644	(1000 MT)
Yield	2.711	2.711	2.711	2.271	2.271	2.271	2.625	2.254	2.113	(MT/HA)

PSD Table Rice, Milled										
	2004	Revised		2005	Estimate		2006	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2005	03/2005		03/2006	03/2006		03/2007	03/2007	MM/YYYY
Area Harvested	48	48	48	105	105	105	20	38	20	(1000 HA)
Beginning Stocks	550	550	550	412	412	412	511	511	511	(1000 MT)
Milled Production	231	231	231	749	749	749	93	215	90	(1000 MT)
Rough Production	323	323	323	1048	1048	1048	130	301	126	(1000 MT)
Milling Rate (.9999)	7150	7150	7150	7150	7150	7150	7150	7150	7150	(1000 MT)
MY Imports	106	106	106	75	75	75	75	75	125	(1000 MT)
TY Imports	106	106	106	75	75	75	75	75	125	(1000 MT)
TY Imp. from U.S.	4	4	4	0	0	0	0	0	0	(1000 MT)
Total Supply	887	887	887	1236	1236	1236	679	801	726	(1000 MT)
MY Exports	80	80	80	325	325	325	125	150	125	(1000 MT)
TY Exports	52	52	52	300	350	300	100	150	100	(1000 MT)
Total Consumption	395	395	395	400	400	400	400	400	400	(1000 MT)
Ending Stocks	412	412	412	511	511	511	154	251	201	(1000 MT)
Total Distribution	887	887	887	1236	1236	1236	679	801	726	(1000 MT)
Yield (Rough)	6.729	6.729	6.729	9.981	9.981	9.981	6.5	7.921	6.3	(MT/HA)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS7003	Tree Nuts Annual	01/11/07
AS7002	Promotion Opportunities Report	01/09/07
AS7001	Fresh Deciduous Fruit Annual	12/20/06
AS6081	Agriculture Minister Grants Two Bulk Export Permits	12/27/06
AS6080	Ag Down Under Vol. 18	12/08/06
AS6079	AWB Veto Power Transferred to Ag Minister for Six Months	12/08/06
AS6078	Final Import Risk Analysis Report for Apples from New Zealand Released	12/01/06
AS6077	Cotton Quarterly Update	11/30/06
AS6076	AWB Proposes Split; Prime Minister to Propose Reform Next Week	11/30/06
AS6075	Cole Inquiry Into AWB Conduct Under Oil-For-Food Program	11/28/06
AS6074	Citrus Annual	11/27/06
AS6073	Ag DownUnder Vol. 17	11/17/06
AS6072	Dairy Annual	11/17/06
AS6071	AWB Rejects Export Applications for 3 MMT, Sparks Controversy	11/09/06